

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:5046
ANSWERED ON:20.12.2002
ACTION AGAINST DIRECTORS OF VANISHING COMPANIES
DR. KIRIT SOMAIYA

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether SEBI has started criminal proceedings against the Director and managements of vanishing companies;
- (b) if so, the details thereof, Company-wise;
- (c) the number and details of companies declared vanished during the last three years;
- (d) the public money involved therein with the persons affected therefrom; and
- (e) the further action plan of Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

- (a) The Securities & Exchange Board of India (SEBI) has intimated that they have not started criminal proceedings against the directors and management of vanishing companies.
- (b) Does not arise in view of (a) above.
- (c) Seven Task forces have been constituted region-wise to identify `vanishing` companies. The Task forces are monitored by a Central Coordination and Monitoring Committee co-chaired by Secretary, Department of Company Affairs and Chairman, SEBI. These Task forces have not identified any company as `vanished` during the last three years.
- (d) Does not arise in view of (c) above.
- (e) On the basis of certain criteria evolved by the Central Coordination and Monitoring Committee, out of 7050 issues which came during 1992-98, 175 companies have been identified as vanishing companies. The total issue size involved is Rs. 950.41 crores. SEBI and the Department of Company Affairs are taking action against these companies.

In order to ensure that companies do not vanish after raising money from the public, the SEBI - DCA Coordination and Monitoring Committee is examining and exploring various courses of action such as including authenticated photographs, passport numbers, PAN etc. of the promoters/directors at the time of incorporation and in the prospectus while coming out with public/rights issues; monitoring the end use of funds; freezing assets of promoters/directors of defaulting companies and disqualification of persons in default; filing of FIR jointly by DCA and SEBI; and initiation of prosecution proceedings against vanishing companies.